

**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

TO: Zurich Programs
Zurich North America
13810 FNB Parkway
Omaha, NE 68154

RE: Empire Fire & Marine Insurance Co. (NAIC #31326)
Missouri Market Conduct Examination 0603-24-TGT

**STIPULATION OF SETTLEMENT
AND VOLUNTARY FORFEITURE**

It is hereby stipulated and agreed by Douglas M. Ommen, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration, hereinafter referred to as "Director," and Empire Fire & Marine Insurance Company (NAIC #31326), (hereafter referred to as "Empire Fire & Marine"), as follows:

WHEREAS, Douglas M. Ommen is the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereafter referred to as "the Department"), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State in Missouri; and

WHEREAS, Empire Fire & Marine has been granted a certificate of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Department conducted a Market Conduct Examination of Empire Fire & Marine and prepared report number 0603-12-TGT; and

WHEREAS, the report of the Market Conduct Examination has revealed that:

1. In some instances, Empire Fire & Marine and its agencies incorrectly rated its commercial fire, automobile, general liability, and garage policies, in violation of §379.321.6, RSMo, and 20 CSR 500-4.100(7)(D).

2. In some instances, some of Empire Fire & Marine's agencies failed to upload and use the current loss cost factors and primary and secondary factors to their systems, such that the commercial automobile, general liability, and garage policies would be correctly rated and the insureds charged correct premiums.

3. In some instances, Empire Fire & Marine failed to provide adequate and relevant materials, files, and documentation to allow the examiners to sufficiently ascertain the rating and underwriting, claims handling and payment, and marketing practices of the Company, thereby violating §§374.205.2(2), and 379.321.6, RSMo, and 20 CSR 300-2.200(3)(A).

WHEREAS, Empire Fire & Marine hereby agrees to take remedial action bringing it into compliance with the statutes and regulations of the State of Missouri and agrees to maintain those corrective actions at all times, including, but not limited to, taking the following actions:

1. Empire Fire & Marine agrees to take corrective action to assure that the errors noted in the above-referenced market conduct examination report do not recur;

2. Empire Fire & Marine agrees to conduct a self-audit of the Robert Meuth Agency, Truckers Insurance Associate, Inc., American Management Corporation, and AEON Insurance Group within six months of the date that a final Order is entered in this examination to assure that the proper rating factors and underwriting guidelines are being used and followed by these agencies. A written report shall be prepared and submitted to the Department within 60 days after the audits are complete advising the Department of the Company's review process and all findings of such reviews, including any and all payments made, if any, which resulted from the audit.

WHEREAS, Empire Fire & Marine is of the position that this Stipulation of Settlement and Voluntary Forfeiture is a compromise of disputed factual and legal allegations, and that payment of a forfeiture is merely to resolve the disputes and avoid litigation; and

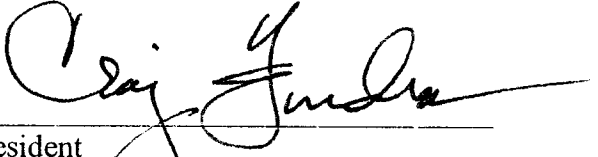
WHEREAS, Empire Fire & Marine, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, which may have otherwise applied to the above referenced Market Conduct Examination; and

WHEREAS, Empire Fire & Marine hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0603-24-TGT further agrees, voluntarily

and knowingly to surrender and forfeit the sum of \$38,915.

NOW, THEREFORE, in lieu of the institution by the Director of any action for the SUSPENSION or REVOCATION of the Certificate(s) of Authority of Empire Fire & Marine to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Empire Fire & Marine does hereby voluntarily and knowingly waive all rights to any hearing, does consent to the ORDER of the Director and does surrender and forfeit the sum of \$38,915, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: 6-4-07



President
Empire Fire & Marine Insurance Company